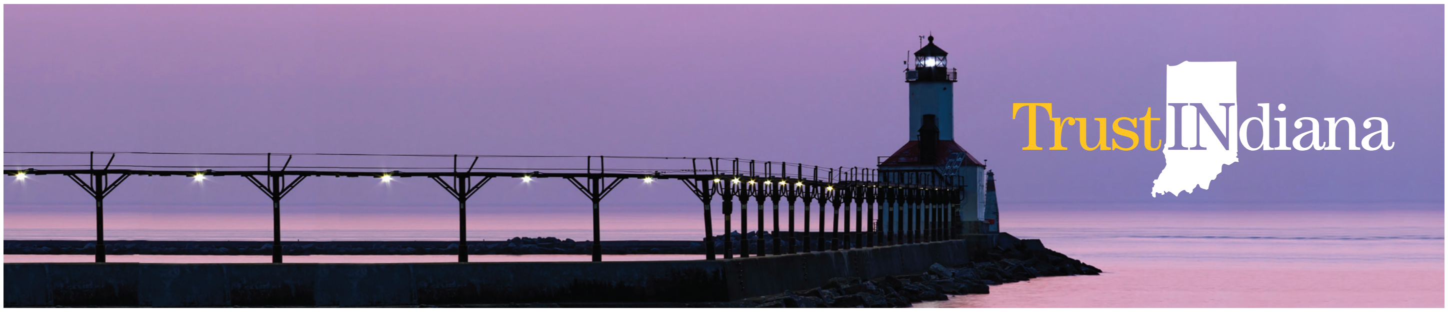
TheINVESTOR

March 2016



Local Government Investment Pool

TheNEWS

SPRING CLEANING: TIPS TO FINE-TUNE YOUR INVESTMENT POLICY

Is your local government investment policy a comprehensive, well developed investment policy? Does it include, among other things, clearly stated investment objectives, allowable investment instruments, and compliance with relevant statutes? Is it time to fine-tune it, to remove vague, contradictory requirements that may artificially constrain your investment program? Does your local government have an investment policy or an investment procedure? Remember, a policy sets out what you are able to do, whereas a procedure spells out how you should do it.

The chart below includes tips for developing a sound, comprehensive investment policy. The column on the left outlines what should be in the policy and the column on the right describes why this information is important.

TIP	REASON
Clearly describe what funds are covered by the policy and what funds are covered by a separate policy.	The policy should be clear on what funds are covered by those particular policy guidelines as some funds, such as bond proceeds or pension funds, may have different investment objectives or different investment horizons and would be better managed under a separate policy.
Write a clear and concise statement of objectives.	Simply stating investment objectives as safety, liquidity and yield will not help the government protect its funds. Statements describing how the government will achieve these goals provide more guidance. GFOA's Sample Investment Policy includes explicit statements of objectives.
Include a Standards of Care section addressing the delegation of authority, prudence and ethics and conflicts of interest.	The delegation of authority states who is responsible for the investment program and cites the derivation of authority. A reference to the prudent investor standard by which investment decisions are made should be included and ethics and conflicts of interest should reference any existing formal codes and internal policies.
Know your investment statutes and determine if all of the allowable investment instruments are appropriate for your investment program.	Some public entities copy the state statute into their investment policies, thus allowing the use of investment instruments that the staff may not fully understand or that may be inappropriate for the government's investment program. Many public entities may opt to have an investment program that is more restrictive than that allowed by state statute. In addition, the state statute may not provide the level of detail regarding maturity structure, security specific asset allocation and reporting requirements desired.
Use explicit language to describe allowable investment instruments; include clear definitions of investment types, credit criteria, maturity restrictions and diversification requirements.	Clear, explicit language describing allowable investment instruments will leave little room for interpretation and will help protect the government from imprudent investment decisions. Also, it is best to avoid having a list of permitted investments followed by a list of prohibited investments as there may be conflicting language. It should be understood if the security is not listed then it is prohibited. Ensure diversification by assigning maximum percentages of the portfolio to security types and issuers. In addition, some policies artificially limit maturities. Maturity restrictions should make sense for the entity's cash flows and investment horizon.
Avoid arbitrary percentages when discussing diversification requirements; instead use target guidelines such as "no more than five percent of the portfolio can be invested in the securities of a single issuer" or "no more than 20 percent of the portfolio may be invested beyond one year."	Many investment policies include specific diversification guidelines such as, "The portfolio must be invested in 50 percent Treasuries, 30 percent certificates of deposit, 10 percent commercial paper, and 10 percent local government investment pool." Arbitrary percentages can restrict the entity from implementing an effective, dynamic investment strategy. Asset allocation limits should be used as a guide and allow for flexibility as market conditions and investment opportunities change. The purpose of diversification is to reduce risk in the portfolio and can be accomplished by investing in a variety of maturities and avoiding over-concentration in a specific business sector (with the exception of U.S. Treasury securities).

TheNEWS (cont.)

TIP	REASON
Require governing body review and approval for new security types, securities that are not clearly allowed by the policy and deviations from the policy when new securities come to the market.	Requiring governing body approval forces the investment official to analyze the security in question and explain why it should be included, thereby preventing decisions that have not been fully thought out.
Include collateralization requirements in the policy.	Many times public entities require collateralization for their deposit-type investments such as certificates of deposit and repurchase agreements but do not include specific guidelines. Investment policies should specify allowable collateral securities, collateral ratios and third party safekeeping requirements.
Require that securities be held in third-party custody arrangements.	This requirement protects the public entity from the bank's credit risk. Should the bank holding the securities fail, the entity can simply transfer the securities they own to another custody provider.
Require a formal process for selecting financial institutions and broker/ dealers and describe this process in the policy.	The point of this section is to specify what process you will use to screen firms selling you securities. This section should require a due diligence review of prospective firms, specify minimum credit criteria for financial institutions and limit transactions to only those firms on the approved list. The list should be included as an appendix item. It is also important to update your list of approved financial institutions and broker/dealers annually.
Require competitive quotes from at least three financial institutions and/or broker/dealers.	Many entities obtain competitive quotes for their investment transactions but do not specifically require them in the investment policy. By not requiring competitive quotes, this practice could be lost over time. Adding this requirement ensures that the competitive quoting process will always be used so that the entity gets the best trade execution for its investments.
Address reporting requirements and specifically state required portfolio holdings information.	The policy should state how frequently investment reports should be prepared, to whom they'll be presented, and a list of essential portfolio and individual holdings information, such as yield, security type, and maturity to be included in the report.
Determine relevant benchmarks to gauge your performance.	Many investment policies specify a certain benchmark in one section and then state that the portfolio must maintain a weighted average maturity (WAM) that is not relevant to the benchmark in another section. The benchmark maturity should be similar to the WAM of the portfolio in order to provide a meaningful performance comparison over time. Since investment programs are dynamic and the WAM may change over time, providing a statement that the benchmark and the investment portfolio should be similar in WAM allows for flexibility to change the benchmark when it is necessary without formally revising the investment policy. Governments must also be careful that the way the performance of their portfolio is measured is consistent with the method used by the benchmark. Some governments use a benchmark whose performance is measured based on a total return calculation but report their own performance based on weighted average yield.
Adopt your investment policy as a resolution or an ordinance.	Many entities develop an investment policy as an internal document and do not require formal governing body approval. By adopting the policy as an ordinance or a resolution, the policy becomes an official document.
Put specifics such as authorized personnel and authorized financial institutions and broker/dealers in an appendix attached to the policy.	Policies that include names rather than titles of personnel and specific names of authorized business partners can become outdated and require governing body approval when updated. Using only titles and referencing appendix items in the policy allows the policy itself to stay current. Appendix items can be easily updated and do not require governing body approval.

By using this article as a checklist, public entities can help ensure that their investment policies are complete. The Government Finance Officers Association provides a Sample Investment Policy to include expanded examples of sample policy language. The sample policy is available on GFOA's website at www.gfoa.org/downloads/SampleInvestmentPolicy.pdf.

TheECONOMY

Throwing in the Towel?

For the past few months, the markets have been roiled by a parade of events that have sent volatility higher and questioned the underlying strength of the global economy. The melancholy tone belies the fact that the Federal Reserve (Fed) had projected multiple rate hikes for 2016 just a few short months ago. Now, with major stock indexes posting significant losses and interest rates hovering near historical lows, many have discounted the idea of the Fed raising rates at all this year.

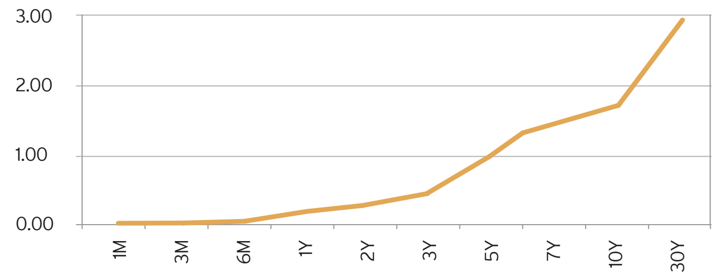
Whereas no single event has sent the markets into a tailspin, aggregate concerns have done considerable damage. China devaluing its currency, Europe and Japan pressing further into negative rates and a world drowning in oil have all played a part in depressing the global economic outlook so far this year. Despite the turmoil the Fed has not publicly renounced its December rate hike, nor significantly strayed from its outlook for the year. While acknowledging that tighter financial conditions pose downside risk to the U.S. economy, the Fed remains comforted by the significant progress made in the labor market over the past few years.

Focusing on the fundamentals, the Fed may have good reason to be confident. Personal income and consumer spending data has recently surprised to the upside, allaying fears that the U.S. economy is heading for an imminent downturn. In addition, January inflation metrics trended higher, a welcome development as the Fed has struggled to gain upward traction on prices. So far the U.S. economy has been proven resilient in the face of global turbulence. It appears that the markets would be wise to monitor consumer behavior before throwing in the towel on the Fed this year.

Portfolio Strategy

Short-term interest rates have shifted higher with the Fed's first rate increase in over nine years. We will look for prudent opportunities to take advantage of the higher rates available, while maintaining flexibility as the Fed may gradually raise rates during the year.

US Treasury Curve



Source: Bloomberg

Treasury Yields

MATURITY	3/1/16	2/1/16	CHANGE
3 Month	0.280%	0.220%	0.060%
6 Month	0.410%	0.400%	0.010%
1 -Year	0.620%	0.420%	0.200%

Source: Bloomberg

Agency Yields

MATURITY	3/1/16	2/1/16	CHANGE
3 Month	0.370%	0.280%	0.090%
6 Month	0.400%	0.450%	-0.050%
1 -Year	0.580%	0.630%	-0.050%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

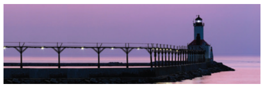
MATURITY	3/1/16	2/1/16	CHANGE
1 Month	0.450%	0.430%	0.020%
3 Month	0.610%	0.610%	0.000%
6 Month	0.840%	0.830%	0.010%
9 Month	0.990%	0.920%	0.070%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q4 '15	1.00%
US Unemployment	Jan '16	4.90%
ISM Manufacturing	Feb '16	49.5
PPI YoY	Jan '16	-1.20%
CPI YoY	Jan '16	1.40%
Fed Funds Target	Jan 27 '16	0.25% - 0.50%

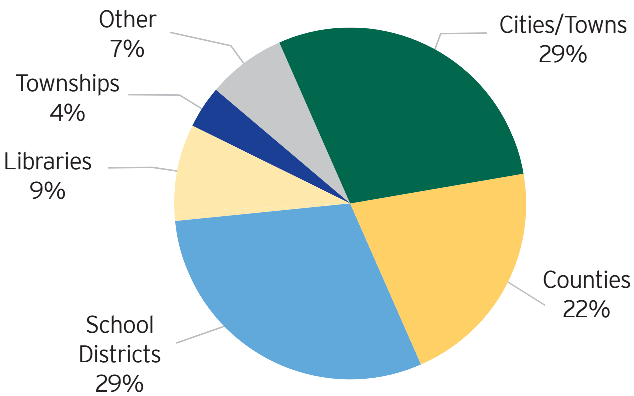
Source: Bloomberg



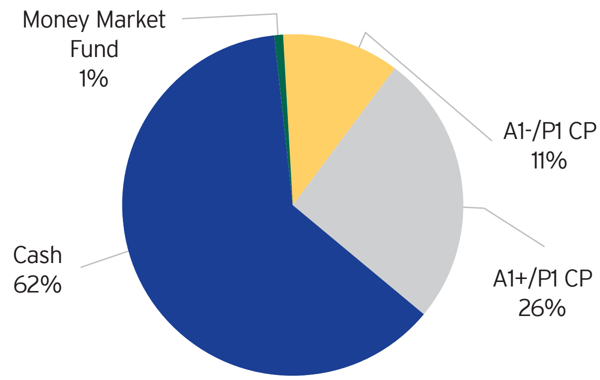
TheFUND

Fund Highlights as of February 29, 2016 (Unaudited)

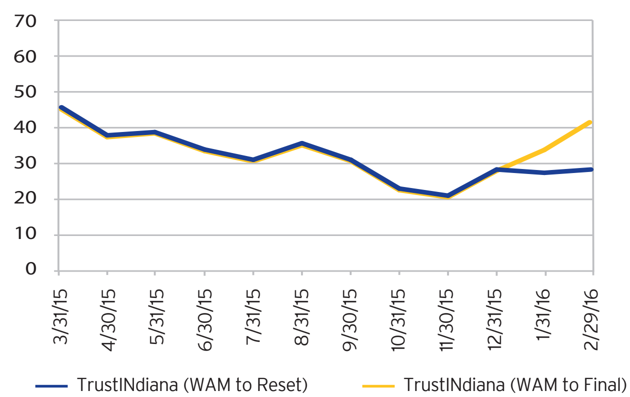
Participant Breakdown



Portfolio Distribution

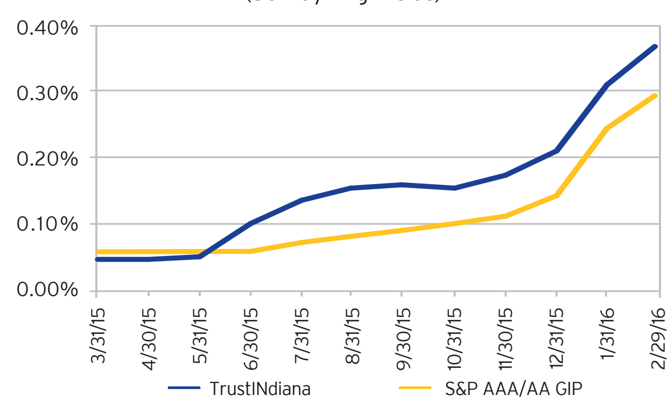


Weighted Average Maturity



TrustINdiana vs S&P AAA/AA GIP*

(30 Day Avg Yields)



Month	Avg Daily Yields**	WAM (to Reset)***	NAV	Month Ending Net Assets
Dec-15	0.21%	28	1.00	$504,546,363.47
Jan-16	0.31%	27	1.00	$503,044,945.85
Feb-16	0.37%	28	1.00	$506,556,817.62

*** 30 day yield as of the last day of the month* **** As of the end of the last day of the month*

Public Trust Advisors, LLC took over the management and advisory services effective May 1, 2015. All data prior to this date is from the previous Investment Advisor. As both Investment Advisors adhered to the investment policy there may be variances in yield, weighted average maturities and portfolio composition due to differing investment style.

Data Unaudited. All comments and discussion presented are purely based on opinion and assumptions, not fact, and these assumptions may or may not be correct based on foreseen and unforeseen events. The information above is not a recommendation to buy, sell, implement or change any securities or investment strategy, function or process. Any financial and/or investment decision should be made only after considerable research, consideration and involvement with an experienced professional engaged for the specific purpose. Additionally, past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.

*The benchmark, the S&P US AAA & AA Rated GIP All 30 Day Net Yield (LGIP30D) is a performance indicator of rated GIPs that maintain a stable net asset value of $1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is a composite of all rated stable net asset value pools. GIPs in the index include only those rated based on Standard & Poor's money market criteria. Pools rated 'AAAm' provide excellent safety and a superior capacity to maintain principal value while those rated 'AAm' offer very good safety and a strong capacity to maintain principal value (Source: Standard & Poor's website.) The comparison between this index and the portfolio may differ in holdings, duration and percentage composition of each holding. Such differences may account for variances in yield.